



**TESTIMONY OF
MIDDLESEX HOSPITAL
SUBMITTED TO THE
PLANNING AND DEVELOPMENT COMMITTEE
Friday, March 21, 2014**

**HB 5583, An Act Concerning The Payment Of Real Property Taxes By Certain
Institutions Of Higher Learning And Hospital Facilities**

Middlesex Hospital appreciates the opportunity to submit testimony concerning **HB 5583, An Act Concerning The Payment Of Real Property Taxes By Certain Institutions Of Higher Learning And Hospital Facilities**. Middlesex Hospital opposes this bill. We urge the General Assembly to keep the current real property tax exemption and Payment In Lieu Of Taxes (PILOT) funding structure in place.

Middlesex Hospital suffered from last year's budget actions, which imposed a net revenue tax of \$336 million on hospitals over the biennium. We've done extraordinary things to minimize the impact to patient care. But it is very challenging. Middlesex Hospital has been forced to implement programs and policies that reduce our expenditures in areas such as employee wages, benefits and medical supplies to offset for the additional tax expense and other reductions in revenue caused by lower reimbursement and utilization. Middlesex Hospital has maintained a modest operating margin and uses the cash generated to bring more convenient and comprehensive outreach facilities such as the new ED/Diagnostic Center in Westbrook and to provide seed money to its affiliates and forgivable loans to community physicians to expand the network of primary care and urgent care providers and bring in physician specialists where there is a demonstrated shortage in our service area. However, it took a comprehensive dedicated process over many months to identify and implement these cost-saving measures. Further cost reductions by Middlesex Hospital of similar magnitude can not be achieved year after year into the future without severe negative repercussions. It is our mission to provide the safest, highest-quality health care and the best experience possible throughout the community we serve. A real property tax would be an additional impediment to our carrying out this mission.

In addition, Middlesex Hospital has a long-standing commitment to provide programs and services that meet identified need, most specifically for underserved and vulnerable populations. Our community benefit program – which costs the Hospital significant dollars - exemplifies our core purpose of bettering the health of the community we serve. We understand the importance of measuring community health and uncovering barriers to care, creating evidence-based programs that respond to identified need, and collaborating with community partners to develop meaningful and sustained health improvement. Community benefit activities are unique to not-for-profit hospitals, as they provide an opportunity to "live our mission"; these are programs that:

- Generate low or negative margins
- Respond to the needs of special populations, such as those living in poverty or other disenfranchised persons
- Supply services or programs that would be discontinued or provided by another not-for-profit or governmental agency if the decision was made on a purely financial basis
- Respond to public health needs
- Involve education or research that improves overall community health

Each year, Middlesex Hospital commits millions of community benefit dollars to those who we serve in Middlesex County. Our most recent annual benefit to the community was \$39,866,500 with 81,545 served. An example of a critically important community benefit service is our adult inpatient and outpatient behavioral health program which costs \$6,914,500 to operate (2,110 served). If the Hospital did not provide this subsidized service, our community members needing behavioral health care would experience major access issues and a reduced quality of life.

Continuing our real property tax exemption is vital, as it allows us to continue to invest those savings to meet the identified needs of our most vulnerable and at-risk community members. Imposing a real property tax would have a direct impact on Middlesex Hospital's ability to provide critically needed community benefit programs and services to those who are most in need.

Middlesex Hospital views its providing these community benefits as something done in partnership with municipalities and the state. In our opinion, the Hospital is the best equipped to provide these services with municipalities doing their part by providing funding through real property tax exemption and the state through its partial subsidy to municipalities under the Payment In Lieu Of Taxes (PILOT) program administered by the Office of Policy and Management (OPM).

Middlesex Hospital has always been committed to improving patient care and ensuring that every person receives safe, excellent care. At Middlesex, we are constantly working to identify opportunities for improving the quality and safety of the care we provide as well as to make the experience of the patient and their family the best possible. One example of this is our High Reliability Transformation in which we are bringing the principles that have helped make certain industries remarkably safe for long periods of time (such as commercial aviation, nuclear power, and the US Nuclear Navy, to name a few) to Middlesex Hospital, as part of a state-wide initiative being led by CHA. This includes making patient safety our absolute number one focus, teaching habits and tools that improve individual performance, communication, and team work to all of our employees and medical staff, increasing transparency to be better able to find, understand and respond to opportunities for improvement, and system change management techniques to improve the function of our systems to decrease the likelihood of errors occurring or reaching the patient. In addition we are teaching staff the principles of LEAN methodology to enhance our process improvement capabilities.

Specific quality and safety initiatives have included successful efforts to reduce readmissions, catheter associated urinary tract infections, and surgical site infections, as well as system improvements to ensure best evidence-based practices are in place for patients with many different diagnoses, such as heart attacks, strokes, pneumonia and so on. Beyond these, there are numerous other initiatives all centered on improving patient safety, providing the highest quality of care and the best experience possible to every patient every time, too numerous to list here.

Again, it is Middlesex Hospital's mission to provide the safest, highest-quality health care and the best experience possible throughout the community we serve and this additional real property tax would further impede our carrying out this mission as well as impede our ability to continue the community health assessments, outreach and charity care programs we contend the Hospital is best equipped to carry out. Middlesex Hospital cannot endure another tax. We urge you to keep the current tax exemption and PILOT funding structure in place.

Thank you for your consideration of our position.

Sincerely,

A handwritten signature in black ink, appearing to read "Vincent Capece Jr.", with a stylized flourish at the end.

Vincent G. Capece, Jr.
President and CEO